

MINUTES
ADJOURNED REGULAR MEETING OF THE
BOARD OF DIRECTORS
THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA
AUGUST 19, 2003

45441 The Board of Directors of The Metropolitan Water District of Southern California met in Adjourned Regular Meeting in the Board Room located in the building at 700 North Alameda Street in the city of Los Angeles, state of California, on Tuesday, August 29, 2003.

Chairman Pace called the Meeting to order at 12:23 p.m.

45442 The Meeting was opened with an invocation by Carmen Apelgren of the Braille Institute of America.

45443 The Pledge of Allegiance to the Flag was given, led by Director Timothy F. Brick.

45444 Board Secretary Hansen called the roll. Those answering present were: Directors Abdo, Apodaca, Bakall, Bannister, Brick, Brown, Castro, Coughran, De Jesus, Dentler, Dick, Edwards, Fellow, Foley, Grandsen, Hansen, Herman, Kwan, Lewis, Loveland, Mejia, Morris, Murray, Mylne, Pace, Parker, Peterson, Record, Rez, Turner, and Wright.

Those not answering were: Directors Blake, Harris, Luddy, Orduna, Stanton, and Troxel.

The Chair declared a quorum present.

45445 Chairman Pace announced that Director Kwan was elected president of West Basin Municipal Water District.

45446 Director Brick commented on the ceremony at the Mills plant celebrating the introduction of the ozone program, one that has taken a long time to develop and one of the most important things that Metropolitan has done in the last twenty years. Another important project in Metropolitan's history was the start of Diamond Valley Lake in 1987. With his proud participation in those projects, Director Brick, the only current member of the Water Buffalo Club, presented water buffalo awards for water quality to Directors Morris, Fellow, Abdo, Kwan, Peterson, and Chairman Pace for the entire Board.

45447 At 12:35 p.m., the Chair called a public hearing to receive comments on the proposed standby charges for:

Annexation No. 82 to Calleguas Municipal Water District
46th and 48th Fringe Areas Annexations to Western Municipal
Water District
Re-attachment of the Altmann Property to San Diego County
Water Authority

No members of the public responded; and after tabulation of the ballots was completed, and with no protests filed, the Chair closed the public hearing at 12:36 p.m.

45448 Chairman Pace invited members of the public to address the Board on matters within the Board's jurisdiction. No members of the public responded.

45449 There being no objection, the Chair ordered the reading of the Minutes of the Meeting of July 8, 2003, dispensed with, a copy having been mailed to each Director. Chairman Pace announced that the Minutes for April 22, 2003, have been deferred.

Director Coughran moved, seconded by Vice Chairman Foley and carried, approving the foregoing Minutes as mailed.

45450 The General Counsel's letter signed by Assistant General Counsel Bennion on August 11, 2003, was presented, transmitting the credentials evidencing the appointment by Municipal Water District of Orange County of Larry D. Dick as one of its representatives on Metropolitan's Board for an indefinite term, replacing the late Langdon W. Owen.

General Counsel Kightlinger reported the credentials had been examined and found legally sufficient and that the Oath of Office had been administered to Director Dick on August 12, 2003.

The Chair ordered the credentials, together with the General Counsel's letter, received and filed.

Following an introduction by Director Bakall, Director Dick took his seat as a Director representing Municipal Water District of Orange County.

45451 Director Murray moved, seconded by Director Bannister and carried, approving the committee appointments as recommended by the Chair, of Director Dick to the Engineering and Operations Committee and the Legal, Claims and Personnel Committee.

45452 Chairman Pace reported that on July 16, The Center for Water Education and Calleguas Municipal Water District sponsored a two-day water workshop attended by professors from Australia and UCLA, graduate students, and members of Calleguas. This was an information sharing and discussion on "New Water Sources from Existing Supplies."

On July 31, the Chair attended a press conference to launch a three-month campaign to encourage consumers to conserve water by employing smarter landscape irrigation practices and to use native and California friendly plants and flowers. Through the month of October Metropolitan's message will be carried in 60-second radio spots, and will run in English, Spanish, Mandarin Chinese, and Japanese on nearly 100 radio stations spanning Metropolitan's 5,200-square mile service area.

Chairman Pace reported that the Colorado River Negotiating Team and the management staff continue to meet in Sacramento with the parties involved to resolve the issues of the Quantification Settlement Agreement (QSA).

45453 A letter from the Chief Executive Officer signed August 18, 2003, was presented, reporting that the Original Certificates of the County Auditors for the six counties in which areas of the District lie are on file in the Office of the Controller, certifying the fiscal year 2003/04 assessed valuations of all property used for calculating Metropolitan's tax. There being no objection, Chairman Pace ordered the tabulations transmitted with the foregoing letter from the Chief Executive Officer setting forth the assessed valuations, percentage participation, and vote entitlement of member public agencies of The Metropolitan Water District of Southern California, as of August 19, 2003, based on certificates of assessed valuation of property taxable by Metropolitan for fiscal year 2003/04, as submitted by the various County Auditors, be filed, reported in the Minutes, and that the Executive Secretary be directed to send a copy to each absent Director and to each member public agency.

Assessed Valuations, Percentage Participation, and Vote
Entitlement of Member Public Agencies of
The Metropolitan Water District of Southern California
as of August 19, 2003

Assessed Valuation

<u>Member Agency</u>	<u>Amount Certified</u>	<u>Percent of Total</u>	<u>Vote Entitlement</u>
Anaheim	\$ 24,710,958,670	1.84	2,471
Beverly Hills	13,152,308,797	0.98	1,315
Burbank	12,116,691,978	0.90	1,212
Calleguas MWD	54,213,350,137	4.04	5,421
Central Basin MWD	76,649,214,171	5.71	7,665
Compton	2,144,742,244	0.16	214
Eastern MWD	29,554,798,394	2.20	2,955
Foothill MWD	8,516,025,410	0.63	852
Fullerton	9,744,027,089	0.73	974
Glendale	15,246,153,374	1.14	1,525
Inland Empire Utilities Agency	48,810,929,179	3.63	4,881
Las Virgenes MWD	12,712,157,697	0.95	1,271
Long Beach	24,114,082,931	1.80	2,411
Los Angeles	260,482,762,084	19.40	26,048
MWD of Orange County	231,109,872,183	17.21	23,111
Pasadena	12,834,530,561	0.96	1,283
San Diego County Water Authority	237,148,863,258	17.66	23,715
San Fernando	1,011,385,760	0.08	101
San Marino	2,848,615,405	0.21	285
Santa Ana	14,617,604,425	1.09	1,462
Santa Monica	15,646,115,548	1.17	1,565
Three Valleys MWD	34,564,602,954	2.57	3,456
Torrance	15,778,697,053	1.18	1,578
Upper San Gabriel Valley MWD	49,168,650,828	3.66	4,917
West Basin MWD	91,360,187,990	6.80	9,136
Western MWD	44,576,447,039	3.32	4,458
TOTAL ASSESSED VALUATIONS WITHIN METROPOLITAN	<u>\$1,342,833,775,159</u>	<u>100.00</u>	<u>134,282</u>

The above valuations include only those which have been certified by the County Auditors, in accordance with Section 305 of the Metropolitan Water District Act, Statutes of 1969, as amended. The certified valuations have been reduced to reflect Homeowners' Property Exemptions and do not include areas excluded from Metropolitan.

45454 Budget, Finance and Investment Committee Chairman Castro moved, seconded by Board Vice Chairman Foley, that the Board adopt the California Environmental Quality Act determination and **Resolution 8855** which fixes the District's secured property tax rate for District purposes for fiscal year 2003/04 at .0061 percent of assessed valuations and an unsecured property tax rate of .0067 percent, together with various tax rates for annexation charges due Metropolitan, thereby producing a total levy of \$99.3 million. After allowing for estimated delinquencies, allocations for redevelopment agencies and adjustments for supplemental tax collections and prior years' tax collections, this results in projected net tax revenues of \$96.5 million, as set forth in the Chief Executive Officer's letter signed August 18, 2003; said Resolution entitled:

A RESOLUTION LEVYING TAXES FOR THE FISCAL YEAR COMMENCING JULY 1, 2003 AND ENDING JUNE 30, 2004 FOR THE PURPOSES OF THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

The Chair called for a vote on the motion.

The following is a record of the vote on the motion:

Ayes: Burbank (Dir. Brown, 1,212 votes), Calleguas Municipal Water District (Dir. Grandsen, 5,421 votes), Central Basin Municipal Water District (Dirs. Apodaca and Pace, 7,665 votes), Eastern Municipal Water District (Dir. Record, 2,955 votes), Foothill Municipal Water District (Dir. Edwards, 852 votes), Glendale (Dir. Rez, 1,525 votes), Las Virgenes Municipal Water District (Dir. Peterson, 1,271 votes), Long Beach (Dir. Hansen, 2,411 votes), Los Angeles (Ayes: Dirs. Castro, Dentler and Herman. Absent: Dir. Luddy. 26,048 votes), Municipal Water District of Orange County (Dirs. Bakall, Bannister, Dick, and Foley, 23,111 votes), Pasadena (Dir. Brick, 1,283 votes), San Diego County Water Authority (Dirs. Lewis, Loveland, Parker, and Turner, 23,715 votes), San Fernando (Dir. Mejia, 101 votes), San Marino (Dir. Morris, 285 votes), Santa Ana (Dir. Coughran, 1,462 votes), Santa Monica (Dir. Abdo, 1,565 votes), Three Valleys Municipal Water District (Dir. De Jesus, 3,456 votes), Torrance (Dir. Wright, 1,578 votes), Upper San Gabriel Valley Municipal Water District (Dir. Fellow, 4,917 votes), West Basin Municipal Water District (Dirs. Kwan and Murray, 9,136 votes), Western Municipal Water District of Riverside County (Dir. Mylne, 4,458 votes). Total 124,427 votes.

No: None.

Abstain: None.

Absent: Anaheim (Dir. Stanton, 2,471 votes), Beverly Hills (Dir. Harris, 1,315 votes), Compton (Dir. Orduna, 214 votes), Fullerton (Dir. Blake, 974 votes), Inland Empire Utilities Agency (Dir. Troxel, 4,881 votes). Total 9,855 votes.

The Chair declared **Resolution 8855** adopted by a vote of 124,427 ayes and 9,855 absent, representing more than the required two-thirds vote.

45455 Chairman Pace announced that the Colorado River matters would be taken up towards the end of the Meeting in closed session.

45456 Regarding the Bay-Delta and CALFED matters, and the summary of District activities, Chief Executive Officer Gastelum referred to his Close Out of Fiscal Year 2002/03 Business Plan, signed August 6, 2003, which was distributed earlier.

Chief Executive Officer Gastelum announced that Associate Vice President Mark Beuhler would be leaving Metropolitan to become Assistant General Manager of Coachella Valley Water District. The Board thanked Mr. Beuhler for his years of service and wished him success in his new position.

45457 Regarding Legal Department activities, General Counsel Kightlinger referred to his activity report for July, dated July 31, 2003, which was distributed earlier.

45458 Chairman Pace announced that the General Auditor's report is deferred to next month.

45459 The reports of the Standing Committees are as follows:

Chairman Pace reported that at the Executive Committee meeting on July 22, the committee approved Agenda Items 8-7, 8-8, 8-9, and 8-10. The proposed items for August's Board and committee agenda items were discussed and approved. A presentation was given regarding the contract that was awarded to Urban Park Concessionaires for recreational use of Diamond Valley Lake. The committee heard reports from Executive Vice President Ivey on the evaluation and compensation of the Board's

direct reports process; Directors Fellow and Brick on activities of the Ethics Subcommittee and the Special Committee on Water Education, respectively; and Vice Chairman Foley on the activities of the Colorado River Board.

Chief Executive Officer Gastelum reported on Metropolitan's activities, the State Water Project relative to the Central Valley Project, and gave an update on the QSA and the meetings held with the Governor's office.

The Executive Committee also approved naming the West Dam at Diamond Valley Lake in honor of the late Langdon W. Owen (to be considered by the Board in September). Executive Vice President Ivey gave an update on the opening events planned for Diamond Valley Lake.

Asset, Real Estate and Infrastructure Policy Committee Chair Peterson reported the committee approved Agenda Item 8-6. The committee heard reports on the Diamond Valley Lake Master Plan Development, the Enterprise Geographic Information System, the property database, and the East Marina opening activities. The committee also discussed the Chief Executive Officer's authority to enter into leases. In closed session the committee received a status report on the Ormond Beach negotiations.

Budget, Finance and Investment Committee Chairman Castro reported the committee approved Agenda Items 5E-2, 8-4, 9-1, and 9-4. Committee Chairman Castro requested Agenda Items 9-1 and 9-4 be added to the Consent Calendar. (Agenda Item 9-4 was subsequently removed from the Consent Calendar due to its two-thirds vote requirement.) The committee heard a report on budget and financial planning guidelines.

Communications, Outreach and Legislation Committee Chairman Loveland stated that Associate Vice President Beuhler attended Senator Nell Soto's special meeting with Assistant Deputy Undersecretary of Defense John Paul Woodley, Jr., to discuss perchlorate contamination in her district, with all parties agreeing to work together but no firm commitments for funding were made. The committee heard reports on the outreach plans for the opening of Diamond Valley Lake for recreation on October 3, the medical outreach program designed to help consumers make informed choices about their drinking water, and the legislative activities from both Washington, D.C., and Sacramento.

Engineering and Operations Committee Chairman De Jesus reported the committee approved Agenda Items 8-1 and 8-3. In reference to Item 8-3, the purchase of a demonstration scale reverse osmosis system, the committee requested staff to report back on the feasibility of modifying the design to allow for seawater desalination, as well as brackish water desalination. The committee heard oral reports on the Inland Feeder Program, the Diamond Valley Lake Program, engineering performance measures, system operations, and engineering activities.

Legal, Claims and Personnel Committee Chairman Bannister reported the committee approved Agenda Items 8-11 and 8-12. Item 8-5 was also approved subject to staff providing an analysis of the types and categories of temporary positions required by Metropolitan. In open session the committee heard Agenda Item 9-2 on the *Soboba Band of Mission Indians v. Metropolitan* and a presentation by representatives from Eastern Municipal Water District. Following a closed session hearing, the committee approved adding certain language to its agreement with Eastern. Committee Chairman Bannister requested that Item 9-2 be added to the Consent Calendar. In closed session the committee also heard a report on perchlorate contamination in the Colorado River and potential legal remedies.

Water Planning, Quality and Resources Committee Chairman Wright reported the committee deferred discussion of the QSA to the Board Meeting. The committee approved Agenda Item 9-2 and Committee Chairman Wright requested that it be added to the Consent Calendar. Reports were given on Bay-Delta and State Water Project matters, water supply update, Chromium 6 and the fiscal year 2002/03 Innovative Conservation Program Grant Recipients. The report on dedicated landscape meters was deferred.

Director Parker withdrew from the Meeting at 12:58 p.m.

Director Morris moved, seconded by Director Coughran and carried, and the Board approved the Consent Calendar Items, **M.I. 45460** through **M.I. 45473**, as follows:

45460 Adopted the California Environmental Quality Act (CEQA) determination and (a) appropriated \$2.2 million (Appropriation No. 15369, No. 7, from the Construction Funds); and (b) authorized all final design activities up to award of a competitively bid construction contract for the Weymouth Solids Handling Facilities Project, as set forth in the letter signed by the Chief Executive Officer on July 28, 2003.

45461 Adopted the CEQA determination and granted the Chief Executive Officer authority to purchase a large-scale reverse osmosis system for no greater than \$800,000, as set forth in the letter signed by the Chief Executive Officer on July 24, 2003, with the additional request for staff to return to the Board and report on the feasibility of modifying the design to allow for seawater desalination, as well as brackish water desalination.

45462 Adopted the CEQA determination and (a) authorized the Chief Executive officer to use up to \$75 million to purchase discounted Metropolitan bonds in the secondary market; and (b) extended the expiration date of the bond authorization under the Fourteenth Supplemental Resolution to August 31, 2004, as set forth in the letter signed by the Chief Executive Officer on July 24, 2003.

45463 Adopted the CEQA determination and authorized the Chief Executive officer to amend existing agreements and enter into new contracts with employment service agencies and professional firms supplying temporary personnel in excess of \$250,000, with no individual contract to exceed \$2 million in a single contract year, as set forth in the letter signed by the Chief Executive Officer on July 30, 2003, and subject to staff providing an analysis of the types and categories of temporary positions required by Metropolitan.

45464 Adopted the CEQA determination and authorized entering into an agreement with Thermo Electron Corporation not to exceed \$395,000 to purchase and implement software to upgrade Metropolitan's Laboratory Information Management System, as set forth in the letter signed by the Chief Executive Officer on July 24, 2003.

45465 Adopted the CEQA determination and (a) **Resolution 8857** granting Calleguas Municipal Water District's request for approval of Annexation No. 82, concurrently to Metropolitan and Calleguas, conditioned upon approval by the Ventura Local Agency

Formation Commission, and establishing Metropolitan's terms and conditions for this annexation; and (b) **Resolution 8858** to impose water standby charge at a rate of \$9.58 per acre or per parcel of less than one acre within the proposed annexation, as set forth in the letter signed by the Chief Executive Officer on July 15, 2003, said Resolutions entitled:

Resolution 8857 **RESOLUTION OF THE BOARD OF DIRECTORS OF THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA CONSENTING TO CALLEGUAS MUNICIPAL WATER DISTRICT'S ANNEXATION NO. 82 AND FIXING THE TERMS AND CONDITIONS OF SAID ANNEXATION TO THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA**

Resolution 8858 **RESOLUTION OF THE BOARD OF DIRECTORS OF THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA FIXING AND ADOPTING WATER STANDBY CHARGE CONTINGENT UPON CALLEGUAS MUNICIPAL WATER DISTRICT'S ANNEXATION NO. 82**

Director Grandsen requested to be recorded as abstaining.

45466 Adopted the CEQA determination and (a) **Resolution 8859** granting Eastern Municipal Water District's request for approval of the 73rd Fringe Area Annexation, concurrently to Metropolitan and Eastern, conditioned upon approval by the Riverside Local Agency Formation Commission, and establishing Metropolitan's terms and conditions for this annexation; (b) **Resolution 8860** granting Eastern Municipal Water District's request for approval of the 74th Fringe Area Annexation, concurrently to Metropolitan and Eastern, conditioned upon approval by the Riverside Local Agency Formation Commission, and establishing Metropolitan's terms and conditions for this annexation; and (c) **Resolutions 8861 and 8862** to impose water standby charge at a rate of \$6.94 per acre or per parcel of less than one acre within the proposed annexations for the 73rd Fringe Area and 74th Fringe Area, respectively, as set forth in the letter signed by the Chief Executive Officer on July 15, 2003, said Resolutions entitled:

- Resolution 8859** RESOLUTION OF THE BOARD OF DIRECTORS OF THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA CONSENTING TO EASTERN MUNICIPAL WATER DISTRICT'S 73RD FRINGE AREA ANNEXATION AND FIXING THE TERMS AND CONDITIONS OF SAID ANNEXATION TO THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA
- Resolution 8860** RESOLUTION OF THE BOARD OF DIRECTORS OF THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA CONSENTING TO EASTERN MUNICIPAL WATER DISTRICT'S 74TH FRINGE AREA ANNEXATION AND FIXING THE TERMS AND CONDITIONS OF SAID ANNEXATION TO THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA
- Resolution 8861** RESOLUTION OF THE BOARD OF DIRECTORS OF THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA FIXING AND ADOPTING WATER STANDBY CHARGE CONTINGENT UPON EASTERN MUNICIPAL WATER DISTRICT 73RD FRINGE AREA ANNEXATION
- Resolution 8862** RESOLUTION OF THE BOARD OF DIRECTORS OF THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA FIXING AND ADOPTING WATER STANDBY CHARGE CONTINGENT UPON EASTERN MUNICIPAL WATER DISTRICT 74TH FRINGE AREA ANNEXATION

Director Record requested to be recorded as abstaining.

45467 Adopted the CEQA determination and **Resolution 8863** to impose water standby charge at a rate of \$11.51 per acre or per parcel of less than one acre within the proposed annexation for the Altmann Property reattachment to San Diego County Water Authority and Metropolitan, as set forth in the letter signed by the Chief Executive Officer on July 15, 2003, said Resolution entitled:

RESOLUTION OF THE BOARD OF DIRECTORS OF THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA FIXING AND ADOPTING WATER STANDBY CHARGE CONTINGENT UPON SAN DIEGO COUNTY WATER AUTHORITY ALTMANN PROPERTY REATTACHMENT

Directors Lewis, Loveland, and Turner requested to be recorded as abstaining.

45468 Adopted the CEQA determination and (a) **Resolution 8864** granting San Diego County Water Authority's (SDCWA) request for approval of Podrasky Ohlson Annexation, concurrently to Metropolitan and SDCWA, conditioned upon approval by the San Diego County Local Agency Formation Commission, and establishing Metropolitan's terms and conditions for this annexation; and (b) **Resolution 8865** to impose water standby charge at a rate of \$11.51 per acre or per parcel of less than one acre within the proposed annexation, as set forth in the letter signed by the Chief Executive Officer on July 15, 2003, said Resolutions entitled:

Resolution 8864

RESOLUTION OF THE BOARD OF DIRECTORS OF THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA CONSENTING TO SAN DIEGO COUNTY WATER AUTHORITY'S PODRASKY OHLSON ANNEXATION AND FIXING THE TERMS AND CONDITIONS OF SAID ANNEXATION TO THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

Resolution 8865

RESOLUTION OF THE BOARD OF DIRECTORS OF THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA FIXING AND ADOPTING WATER STANDBY CHARGE CONTINGENT UPON SAN DIEGO COUNTY WATER AUTHORITY PODRASKY OHLSON ANNEXATION

Directors Lewis, Loveland, and Turner requested to be recorded as abstaining.

45469 Adopted the CEQA determination and approved amendment to increase professional services contract with the law firm of Muys & Associates by \$100,000 for calendar year 2003 for legal services in *Arizona v. California*, No. 8 Original (U.S. Sup. Ct.), as set forth in the letter signed by the General Counsel dated July 23, 2003.

45470 Adopted the CEQA determination and approved amendments to agreements with Agricultural Salinity Consulting, Allen Consulting, and Agricultural Services Co., Inc., to increase contract amounts by a total of \$225,000, for expert analysis of water use issues in *Imperial Irrigation District v. United States*, as set forth in the letter signed by the General Counsel on July 23, 2003.

Directors Lewis, Loveland, and Turner requested to be recorded as voting no.

45471 Adopted the CEQA determination and approved the use of interest rate swaps, in a total notional amount not to exceed \$700 million to enable Metropolitan to lower its cost of debt, as set forth in the letter signed by the Chief Executive Officer on July 24, 2003.

45472 Adopted the CEQA determination and (a) approved the Demonstration Program Principles for a groundwater banking program with North Kern Water Storage District, and authorized development of an agreement with North Kern; and (b) approved the Demonstration Program Principles for a water exchange program with Mojave Water Agency, and authorized development of an agreement with Mojave, as set forth in the letter signed by the Chief Executive Officer on August 8, 2003.

45473 Regarding the settlement of *Soboba Band of Mission Indians v. Metropolitan*, the Board approved the recommendation of the Legal, Claims and Personnel Committee to include the following language in its agreement with Eastern Municipal Water District:

"In determining whether or not to extend the term of this Agreement for up to a 50-year period, Metropolitan will specifically consider the current status of Metropolitan's replenishment water program, the status of Metropolitan's State Water Project contract and the functioning of this settlement agreement, along with any other relevant information regarding renewal."

Director Record requested to be recorded as abstaining.

45474 Director Morris moved, seconded by Director Bannister and carried, and the Board, by more than the required two-thirds vote, adopted the CEQA determination and (a) the Fifteenth Supplemental Resolution to the Master Revenue Bond Resolution (**Resolution 8866**) in order to authorize the issuance of up to \$500 million in Water Revenue Bonds, with any unused portion of the authorization to expire on September 30, 2005; and (b) approved Appropriation No. 15412 in the amount of \$825,000, against which to charge expenses associated with the issuance of debt, and authorized the reimbursement of expenses paid from the General Fund by bond proceeds, with any unused portion of the appropriation to expire on September 30, 2005, as set forth in the letter signed by the Chief Executive Officer on August 7, 2003, said Resolution entitled:

RESOLUTION OF THE BOARD OF DIRECTORS OF THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA AUTHORIZING THE ISSUANCE OF UP TO \$500,000,000 WATER REVENUE BONDS AND PROVIDING THE TERMS AND CONDITIONS FOR THE PURCHASE AND SALE OF SAID BONDS (FIFTEENTH SUPPLEMENTAL RESOLUTION)

45475 The following communications were submitted to the Board for information:

- a. Status report for the Inland Feeder Program for activities through June 2003, signed by the Chief Executive Officer on July 24, 2003.
- b. Report on Completion of the Diamond Valley Lake Program, signed by the Chief Executive Officer on August 4, 2003.
- c. Report on Correction of Readiness-to-Serve Charge and Capacity Charge allocations, signed by the Chief Executive Officer on July 29, 2003.

45476 At 1:05 p.m., the Chair called the Meeting into closed session pursuant to Government Code Section 54956.8 to hear a report on the status of the Quantification Settlement Agreement and Colorado River matters.

Director Abdo withdrew from the Meeting at 2:10 p.m.

Director Mylne withdrew from the Meeting at 2:30 p.m.

Director Castro withdrew from the Meeting at 2:33 p.m.

Director Dentler withdrew from the Meeting at
2:45 p.m.

At 2:50 p.m., the Chair called the Meeting into open session.

General Counsel Kightlinger reported the Board took action on the Quantification Settlement Agreement, as follows:

Director Morris moved, seconded by Director Peterson, that the Board adopt **Resolution 8856** indicating Metropolitan's willingness to work on a QSA that has each party bearing the costs of their individual transactions and adopt the recommendation of the Negotiating Committee to:

- Sign the proposed federal agreement that would terminate the litigation and the 417 process only when the QSA is completed;
- Insist that the environmental mitigation costs of the IID/SDCWA Transfer be borne by the parties to that transaction;
- SDCWA to front funds for canal lining projects with SDCWA to be reimbursed by the State with appropriate assurances from the State to SDCWA that funding will be available for the project;
- Offer to buy all additional water that IID conserves and sells to the State that would provide water supply benefits to Metropolitan at \$250 an acre-foot with the net proceeds to be used for Salton Sea and Colorado River ecosystem mitigation and restoration provided Metropolitan is exempted from liability for a Salton Sea restoration; Metropolitan will honor all existing water conveyance arrangements with SDCWA;
- Offer to place \$100 per acre-foot in escrow account for every acre-foot of water received through waste of water proceedings against IID to be used for Salton Sea and Colorado River ecosystem mitigation and restoration with an additional \$5 per acre-foot to be placed in a fund to

address any third party impacts, with appropriate conditions on such payments to be identified by the General Counsel and the Chief Executive Officer including an exemption from Salton Sea liability.

Staff was directed to communicate these positions in writing to the parties involved in the QSA negotiations.

Resolution 8856 is entitled:

RESOLUTION OF THE BOARD OF DIRECTORS OF THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA REGARDING THE QUANTIFICATION SETTLEMENT AGREEMENT

The following is a record of the vote on the motion:

Ayes: Burbank (Dir. Brown, 1,212 votes), Calleguas Municipal Water District (Dir. Grandsen, 5,421 votes), Central Basin Municipal Water District (Dirs. Apodaca and Pace, 7,665 votes), Eastern Municipal Water District (Dir. Record, 2,955 votes), Foothill Municipal Water District (Dir. Edwards, 852 votes), Glendale (Dir. Rez, 1,525 votes), Las Virgenes Municipal Water District (Dir. Peterson, 1,271 votes), Long Beach (Dir. Hansen, 2,411 votes), Los Angeles (Ayes: Dir. Herman. Absent: Dirs. Castro, Dentler, and Luddy. 26,048 votes), Municipal Water District of Orange County (Ayes: Dirs. Bakall, Dick, and Foley. Not Participating: Dir. Bannister. 23,111 votes), San Fernando (Dir. Mejia, 101 votes), San Marino (Dir. Morris, 285 votes), Santa Ana (Dir. Coughran, 1,462 votes), Three Valleys Municipal Water District (Dir. De Jesus, 3,456 votes), Torrance (Dir. Wright, 1,578 votes), Upper San Gabriel Valley Municipal Water District (Dir. Fellow, 4,917 votes), West Basin Municipal Water District (Dirs. Kwan and Murray, 9,136 votes). Total 93,406 votes.

Noes: Pasadena (Dir. Brick, 1,283 votes), San Diego County Water Authority (Noes: Dirs. Lewis, Loveland, and Turner. Absent: Dir. Parker. 23,715 votes). Total 24,998 votes.

Abstain: None.

Absent: Anaheim (Dir. Stanton, 2,471 votes), Beverly Hills (Dir. Harris, 1,315 votes), Compton (Dir. Orduna, 214 votes), Fullerton (Dir. Blake, 974 votes), Inland Empire Utilities Agency (Dir. Troxel, 4,881 votes), Santa Monica (Dir.

Abdo, 1,565 votes), Western Municipal Water District of Riverside County (Dir. Mylne, 4,458 votes). Total 15,878 votes.

The Chair declared **Resolution 8856** adopted by a vote of 93,406 ayes, 24,998 noes, and 15,878 absent.

45477 The Chair announced there would be a workshop on September 2, 2003, at 9:00 a.m. to review the Chief Executive Officer, General Counsel, and General Auditor Business/Work Plans and Evaluation Process.

45478 There being no objection, the Chair adjourned the Meeting at 2:51 p.m.

HELEN Z. HANSEN

SECRETARY

PHILLIP J. PACE

CHAIRMAN